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SUBJECT: NEW FRENCH BUSINESS LEADER WARNS AGAINST GOVERNMENT PROTECTIONISM

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SUMMARY

¶11. (SBU) Laurence Parisot, the new head of France's leading business association, MEDEF, recently warned the French Government against any resurgence of protectionism. In a newspaper interview on Aug. 30, she reiterated her intention to reconcile the French with the market economy, business culture, and work. This coincides with MEDEF's decision to inform the French population at large of the realities and the advantages of a global and market economy in view of the 2007 presidential elections. End Summary.

¶12. (SBU) Departing from her predecessors at MEDEF, Parisot clearly set an open market, pro-competition tone by stressing that France should abide by existing global market rules. Referring to Prime Minister Dominique de Villepin's recent call for "economic patriotism" following the false rumors of a Pepsi Co takeover of Danone, Parisot told French newspaper "Le Figaro" on August 30 that takeovers were a "normal" part of business and that France could not hide from global market rules by erecting a new "Maginot line." Pointing to the hypocrisy of France's position, Parisot added that France could not boast of conquering new markets while "refusing reciprocity." She proposed as an alternative that France adopt a system of pension funds. The GOF has been reluctant to introduce pension funds in France because of stiff trade union opposition to the "privatization" of France's government-financed retirement scheme.

¶13. (SBU) Parisot's statement -- the first clear message by a MEDEF leader that protectionism should never be condoned in whatever shape or form -- follows the recent confirmation by French Industry Minister Francois Loos of upcoming GOF plans to draw up a list of industrial sectors to be shielded from foreign takeovers. This heated exchange between French Government and business over whether foreign predators should be allowed to take over French "industrial jewels" was triggered by the recent Pepsi Co.-Danone speculation. This episode widened the growing gap between political and business circles to an extent unparalleled before. During MEDEF's recent off-site summer seminar ("universite d'ete"), many business leaders, including Denis Kessler, President of the French Insurance Federation and former Vice-President of MEDEF, pointed out that "politicians remembered the importance of business only when companies were forced to close down, relocate or fall into the arms of a foreigner."

¶14. (SBU) In her interview with "Le Figaro," Parisot reiterated her calls for more flexibility in the French labor market and the French Labor Code. "It is illusory to think that the Labor Code provides security," she explained. A company will close down or lay people off regardless of restrictive labor code regulations, she added. Instead, Parisot called for more anticipation and greater training availability.

¶15. (SBU) Invoking MEDEF's major campaign theme between now and the 2007 Presidential elections, Parisot said that the first condition for economic growth was straight forward: France needs to work more. MEDEF will spend much time to convince people that the mentality borne out of the 35-hour runs counter to France's interests. During the recent MEDEF summer seminar (Aug. 29-31), many if not all MEDEF speakers and interlocutors confirmed to us that the government sent a "catastrophic" message to French people that the country could afford to work less and have more time for leisure while the rest of the world worked more.

16. (SBU) The only antidote to this frame of mind is to work abroad, one French business leader told us. As an example, he mentioned a number of young French people who had come to work at the UK subsidiary of a large French company "with their heads full of French social regulations" only to discover the love and pride one can derive from a "solid day's work." MEDEF is determined to turn French mentalities around.

15. (SBU) With the exception of UMP President and Interior Minister Nicolas Sarkozy, few French politicians would agree with these precepts, at least not officially.

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